

## Message Text

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C O N F I D E N T I A L ATHENS 8420

EXDIS

E.O. 11652: GDS

TAGS: EAID, MASS, GR

SUBJECT: ECONOMIC ASSISTANCE TO GREECE

REF: (A) STATE 258912; (B) STATE 244265;

(C) ATHENS 8002

SUMMARY: COORDINATION MINISTER PAPALIGOURAS CONVEYED TO AMBASSADOR AND MEMBERS OF ECONOMIC EXPERTS' TEAM GOG APPRECIATION OF PRESIDENT FORD'S \$225 MILLION PROPOSAL TO CONGRESS FOR ECONOMIC/MILITARY ASSISTANCE TO GREECE. PAPALIGOURAS CONFIRMED PRIME MINISTER'S "PERSONAL REQUEST" (CF. REF. A) FOR USG TO CONSIDER AN ADDITIONAL \$25 MILLION IN MILITARY GRANT AID. PAPALIGOURAS JUSTIFIED AID TO GREECE IN TERMS OF SUPPORTING DEMOCRATIC, WESTERN-ORIENTED INSTITUTIONS AGAINST THREAT FROM REVOLUTIONARY LEFT. GREECE CANNOT CONTINUE INDEFINITELY TO BORROW HALF A BILLION DOLLARS A YEAR OR MORE ON EURODOLLAR MARKET, AND LOW GNP GROWTH AND/OR INTERNATIONAL BANKRUPTCY COULD LEAD TO REVOLUTON. AMBASSADOR REPLIED THAT USG HAS GREAT RESPECT AND CONFIDENCE IN WHAT GOG IS TRYING TO ACCOMPLISH, AND WANTS TO DO AS MUCH AS POSSIBLE TO SUPPORT THESE EFFORTS. HE STRESSED THAT THE PRESIDENT'S PACKAGE REPRESENTED AN EXTRAORDINARY GESTURE OF SUPPORT FOR DEMOCRATIC GOVERNMENT IN GREECE, AND MUST BE VIEWED AGAINST THE BACKGROUND OF BUDGETARY STRINGENCY, CONGRESSIONAL DISENCHANTMENT WITH FOREIGN AID GENERALLY, AND INCREASING DOMESTIC CONCERN IN U.S. OVER SUCH PROBLEMS AS NEW YORK CITY'S FINANCIAL STRAITS. END SUMMARY

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1. AMBASSADOR, ECONOMIC COUNSELOR, AND LEDSKY-BIRNBERG-CROWE ECONOMIC EXPERTS' TEAM CALLED ON COORDINATION MINISTER PAPALIGOURAS AT LATTER'S REQUEST ON SATURDAY, NOVEMBER FIRST. DEPUTY MINISTER BOUTOS WAS ALSO PRESENT.

PAPALIGOURAS EXPRESSED GOG APPRECIATION OF PRESIDENT FORD'S PROPOSED ECONIC/MILITARY ASSISTANCE PACKAGE. REFERRING TO ALEXANDRAKIS-HARTMAN CONVERSATION (REF. A), PAPALIGOURAS EMPHASIZED PRIME MINISTER'S "PERSONAL REQUEST" FOR USG TO CONSIDER AN ADDITIONAL \$25 MILLION MAP. IN THIS CONNECTION, PAPALIGOURAS NOTED THAT PRESIDENT'S MESSAGE REFERRED TO A PROPOSAL OF "MORE THAN \$50 MILLION" IN MAP FOR GREECE.

(NOTE: GOG IS OF COURSE AWARE THAT ADMINISTRATION ORIGINALLY CONSIDERED \$70 MILLION FOR MAP---SEE REFTELS B AND C).

PAPALIGOURAS STATED THAT, ACCORDING TO HIS REPORT, HARTMAN HAD TOLD ALEXANDRAKIS THAT USG WOULD CONSIDER A POSSIBLE AMENDMENT OF THE PROPOSED PACKAGE.

2. IN SUPPORT OF THIS REQUEST, PAPALIGOURAS STATED GREECE'S NEED OF US SUPPORT IN TERMS NOT PRIMARILY OF ENSURING ECONOMIC SURVIVAL, BUT RATHER OF PRESERVIND DEMOCRATIC, WESTERN-ORIENTED GOVERNMENT AGAINST THREAT FROM REVOLUTIONARY LEFT. HE EMPHASIZED THAT IT WAS IN THE COMMON US-GREEK INTEREST TO DO WHATEVER POSSIBLE TO ENSURE THE SURVIVAL OF DEMOCRATIC INSITUIONS LEADING TO CLOSER ALLIANCE WITH U.S. AND ESTERN EUROPE. PAPAOGOURAS SEES THE NEXT TWO TO THREE YEARS AS CRITICAL IN SECURING A STRONG ECONOMIC/POLITICAL BASE IN GREECE. IN HIS VIEW, IF GREECE CANNOT ACHIEVE REAL GNP GROWTH IN THIS PERIOD HIGHER THAN THAT WHICH COULD BE ACCEPTED IN HIGHLY INDUSTRIALIZED COUNTRIES, IT GACES THE THREAT OF REVOLUTION. GREECE CANNOT CONTINUE INDEFINITELY TO BORROW \$500 MILLION AND MORE PER YEAR ON EURODOLLAR MARKET TO COVER ITS BALANCE OF PAYMENTS GAP: IT WILL THEN HAVE TO FACE THE CHOICE BETWEEN LOWER GNP GROWTH OR INFLATION LEADING TO INTERNATIONAL BANKRUPTCY, BOTH OF WHICH WOULD BRING REVOLUTION. THE PRIME MINISTER, HE ADDED, CARRIES A HEAVY BURDEN IN MAINTAINING AN EQUILIBRIUM IN GREECE.

3. AMBASSADOR REPLIED THAT THE USG HAS BEEN FOLLOWING WITH THE CLOSEST INTEREST THE EVOLVING SITUATION IN GREECE AND HAS OBSERVED WITH  
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FRANKADMIRIATION THE NON-VIOLENT TRANSITION TO AN OPEN, DEMOCRATIC SOCIETY IN GREECE UNDER THE EXCEPTIONALLY ABLE LEADERSHIP OF PRIME MINISTER CARAMANLIS. WE WANT TO SUPPORT THE GOG AS MUCH AS WE CAN BECAUSE OF OUR CONFIDENCE AND RESPECT FOR WHAT THE GOG IS TRYING TO ACCOMPLISH. THE AMBASSADOR ADDED THAT THE \$225 MILLION REQUEST TO CONGRESS REPRESENTED AN EXTRA-ORDINARY GESTURE OF SUPPORT FOR GOG AND A MAJOR PERSONAL EFFORT BY PRESIDENT FORD TO MEET THE PRIME MINISTER'S DESIRE,

EXPRESSED TO US LAST MINUTE BY PAPALIGOURAS, FOR AN INCREASE IN THE ORIGINALLY PROPOSED PACKAGE WHICH TOTALED \$190 MILLION (REF B AND C). THIS PROPOSAL WOULD BE DIFFICULT TO DEFEND BEFORE CONGRESS IN LIGHT OF CURRENT ATTITUDES TOWARD FOREIGN AND AND GROWING CONCERN ABOUT THE BUDGET AND DOMESTIC ECONOMIC ISSUES; FOR EXAMPLE, IT HAS BEEN REPORTED THAT EVEN TRADITIONAL FRIENDS OF FOREIGN AID SUCH AS SENATOR HUMPHREY HAVE EXPRESSED UNWILLINGNESS TO APPROVE ASSISTANCE TO FOREIGN GOVERNMENTS UNTIL THERE IS SOME KIND OF AID TO NEW YORK CITY. THE AMBASSADOR FURTHER NOTED, AND THE EXPERTS' TEAM CONCURRED, THAT THE REFERENCE IN THE PRESIDENT'S MESSAGE TO "MORE THAN \$50 MILLION" PROBABLY REFERRED TO THE \$800,000 MILITARY TRAINING PROGRAM IN ADDITION TO THE MAP PROGRAM.

4. LEDSKY OBSERVED THAT IT WAS THE WORLDWIDE GRANT MAP PROGRAM WHICH HAD RECEIVED THE MOST CONGRESSIONAL CRITICISM AND WHICH WAS MOST LIKELY TO BE SCRUTINIZED AND CUT. CONSIDERING THIS, PAPALIGOURAS SAID THAT HE BELIEVES HE WOULD HAVE THE PRIME MINISTER'S PERMISSION TO REQUEST THAT AN ADDITIONAL \$25 MILLION BE ADDED TO WHATEVER CATEGORY WITHIN THE TOTAL PACKAGE THAT WOULD BE MOST CONVENIENT FROM THE USG STANDPOINT. (PAPALIGOURAS LATER TELEPHONED AMBASSADOR TO CONFIRM THAT CARAMANLIS HAD AUTHORIZED HIM TO SAY THIS.)

5. THE AMBASSADOR CONCLUDED THAT THE GOG REQUEST WOULD BE VERY CAREFULLY CONSIDERED, BUT THAT IN HIS VIEW IT WOULD BE EXTRAORDINARILY DIFFICULT TO INCREASE THE \$225 MILLION FIGURE; OUR TASK -- WHICH WOULD BE DIFFICULT-- IS NOT TO HOLD THAT LEVEL AGAINST THE POSSIBILITY OF WORLDWIDE CONGRESSIONAL CUTS.  
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## Message Attributes

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